

## Ping An Bank Co., Ltd.

### 2015 Half-Year Report Summary

#### §1 Important Notes

1. The half-year report summary is extracted from the full text of the half-year report of Ping An Bank Co., Ltd. (the "Bank"). For details, investors should carefully read the full text of the half-year report set out in the designated websites of China Securities Regulatory Commission (CSRC) including [www.cninfo.com.cn](http://www.cninfo.com.cn) or the website of Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)).

#### 2. Corporate Profile

Stock Short Name	Ping An Bank	Stock Code	000001
Changed Stock Short Name (if any)	Not applicable		
Stock Exchange with which the Shares are Listed	Shenzhen Stock Exchange		
Contact Person and Means of Contact	Secretary to the Board of Directors	Representative of Securities Affairs	
Name	Zhou Qiang	Lv Xuguang	
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#### §2 Key Financial Data and Changes in Shareholders

##### 1. Key Financial Data

Whether the Company has adjusted or restated retrospectively the accounting data for previous years due to the change of accounting policies and corrections of accounting errors

Yes  No

##### (1) Major accounting data and financial indicators

(In RMB million)

Item	January-June 2015	January-June 2014	January-Dec ember 2014	Change over the same period of last year

Operating income	46,575	34,733	73,407	34.09%
Operating profit before asset impairment loss	28,190	18,997	41,257	48.39%
Asset impairment loss	12,923	5,652	15,011	128.64%
Operating profit	15,267	13,345	26,246	14.40%
Gross profit	15,259	13,328	26,194	14.49%
Net profit	11,585	10,072	19,802	15.02%
Net profit net of non-recurring gains/losses	11,591	10,085	19,841	14.93%
Per share:				
Basic EPS (in RMB)	0.84	0.73	1.44	15.07%
Diluted EPS (in RMB)	0.84	0.73	1.44	15.07%
Basic EPS after non-recurring gains/losses (in RMB)	0.84	0.74	1.44	13.51%
Cash flow:				
Net cash flows from operating activities	182,522	53,424	25,321	241.65%
Net cash flows from operating activities per share (in RMB)	12.76	3.90	1.85	227.18%

Note: The profit distribution proposal of the Bank for 2014 was implemented during the first half of 2015. A cash dividend of RMB1.74 (tax inclusive) was paid for every 10 shares held based on the total share capital of the Bank as at December 31, 2014 comprised 11,424,894,787 shares by way of conversion of capital reserve to share capital on the basis of 2 shares for every 10 shares.

Pursuant to the *Standards for Content and Format of Information Disclosure Of Companies Issuing Securities Publicly No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share*, the earnings per share for the respective comparative periods shall be recalculated based on the adjusted number of shares. The earnings per share and net cash flows from operating activities per share stated in the table above were recalculated based on the adjusted number of shares.

Total share capital of the Company as at the trading day prior to disclosure: 14,308,676,139 shares

Whether the share capital from the end of the reporting period to the date of issue of the half-year report has changed and affected the amount of owners' interests as a result of new issue of shares, additional issue of shares, placing of shares, exercise of share options and repurchase of shares

Yes  No

Where there are corporate bonds

Yes  No

## Item and amount of non-recurring gains/losses

(In RMB million)

Item	January-June 2015	January-June 2014	January-December 2014
Gains/losses on disposal of non-current assets	(2)	(6)	(8)
Gains/losses on contingency (projected liabilities)	-	(3)	(6)
Other non-operating income and expense except the above items	(6)	(8)	(38)
Income tax effect	2	4	13
<b>Total</b>	<b>(6)</b>	<b>(13)</b>	<b>(39)</b>

Note: The non-recurring gains/losses shall refer to the meaning as defined in the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses*.

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses* were defined as recurring gains/losses.

## (2) Profitability indicators

(Unit: %)

Item	January-June 2015	January-June 2014	January-December 2014	Change over the same period of last year
Return on total assets (unannualised)	0.45	0.47	0.91	-0.02 percentage point
Return on total assets (annualised)	0.90	0.94	0.91	-0.04 percentage point
Average return on total assets (unannualised)	0.49	0.50	0.97	-0.01 percentage point
Average return on total assets (annualised)	0.97	1.00	0.97	-0.03 percentage point
Fully diluted return on net assets (unannualised)	7.68	8.33	15.12	-0.65 percentage point
Fully diluted return on net assets (annualised)	14.26	15.38	15.12	-1.12 percentage point

Fully diluted return on net assets (net of non-recurring gains/losses) (unannualised)	7.68	8.34	15.15	-0.66 percentage point
Fully diluted return on net assets (net of non-recurring gains/losses) (annualised)	14.27	15.40	15.15	-1.13 percentage point
Weighted average return on net assets (unannualised)	8.41	8.62	16.35	-0.21 percentage point
Weighted average return on net assets (annualised)	15.76	16.61	16.35	-0.85 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (unannualised)	8.42	8.63	16.38	-0.21 percentage point
Weighted average return on net assets (net of non-recurring gains/losses) (annualised)	15.77	16.63	16.38	-0.86 percentage point
Cost/income ratio	32.22	37.59	36.33	-5.37 percentage points
Credit costs (annualised)	2.25	1.18	1.55	+1.07 percentage points
Deposit-loan spread	4.89	4.96	5.01	-0.07 percentage point
Net interest spread (NIS)	2.57	2.32	2.40	+0.25 percentage point
Net interest margin (NIM)	2.71	2.50	2.57	+0.21 percentage point

Notes: Credit costs = credit provisions for the period / average loan balance (including discounts) for the period; Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; Net interest margin = net interest income / average balance of interest-earning assets.

### (3) Assets and liabilities

(In RMB million)

Item	June 30, 2015	December 31, 2014	December 31, 2013	Change from the end of the period
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				over the end of previous year
I. Total assets	2,570,508	2,186,459	1,891,741	17.56%
II. Total liabilities	2,419,628	2,055,510	1,779,660	17.71%
III. Shareholders' equity	150,880	130,949	112,081	15.22%
Net assets per share (in RMB) (Note 1)	10.54	9.55	8.18	10.35%
IV. Deposit taking (Note 2)	1,655,112	1,533,183	1,217,002	7.95%
Including: Corporate loans	1,384,798	1,280,430	1,005,337	8.15%
Retail loans	270,314	252,753	211,665	6.95%
V. Total disbursement of loans and advances (Note 2)	1,187,834	1,024,734	847,289	15.92%
Including: Corporate loans	768,570	639,739	521,639	20.14%
General corporate loans	754,338	627,326	509,301	20.25%
Discounted bills	14,232	12,413	12,338	14.65%
Retail loans	295,014	282,096	238,816	4.58%
Receivables for credit cards	124,250	102,899	86,834	20.75%
Provision for impairment of disbursement of loans and advances	(28,789)	(21,097)	(15,162)	36.46%
Disbursement of loans and advances, net	1,159,045	1,003,637	832,127	15.48%

Note 1: In the first half of 2015, the Bank implemented the profit distribution for 2014 by way of conversion of capital reserve on the basis of 2 shares for every 10 shares to all the shareholders. The net assets per share for the respective comparative periods stated in the table above were recalculated based on the adjusted number of shares.

Note 2: Pursuant to the *Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China* (Yin Fa [2015] No.14), starting from 2015, the deposits placed by non-deposit financial institutions at financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as "Total Loans". Based on the new statistical standards of the People's Bank of China (the "Central Bank"), as at June 30, 2015, total deposits and total loans amounted to RMB2,087,337 million and RMB1,249,913 million, respectively.

#### (4) Supplementary financial indicators

(Unit: %)

Financial indicator		Standard level of indicator	June 30, 2015		December 31, 2014		December 31, 2013	
			Period-end	Monthly average	Year-end	Monthly average	Year-end	Monthly average
Liquidity ratio	RMB	≥25	69.33	64.15	52.51	57.24	50.00	49.72
	Foreign currency	≥25	78.47	92.32	82.49	104.09	44.33	73.23
	RMB and foreign currency	≥25	69.19	66.42	53.21	60.28	49.56	50.41
Liquidity coverage		≥70	142.11	Not	80.25	Not	Not	Not

			applicable		applicable	applicable	applicable	
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)	≤75	70.40	70.89	65.39	65.85	69.67	69.68	
Non-performing loan (NPL) rate	≤5	1.32	1.20	1.02	1.02	0.89	0.97	
In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)	Capital adequacy ratio	≥10.5	10.96	Not applicable	10.86	Not applicable	9.90	Not applicable
	Tier one capital adequacy ratio	≥8.5	8.85	Not applicable	8.64	Not applicable	8.56	Not applicable
	Core tier one capital adequacy ratio	≥7.5	8.85	Not applicable	8.64	Not applicable	8.56	Not applicable
Ratio of loans to the single largest client to net capital	≤10	2.38	Not applicable	2.93	Not applicable	4.73	4.49	
Ratio of loans to top 10 clients to net capital	Not applicable	18.62	Not applicable	19.77	Not applicable	20.88	23.21	
Ratio of accumulated foreign exchange exposure position to net capital	≤20	0.22	Not applicable	0.52	Not applicable	0.65	Not applicable	
Pass loans flow rate	Not applicable	3.54	Not applicable	4.74	Not applicable	4.78	Not applicable	
Special mention loans flow rate	Not applicable	16.46	Not applicable	20.16	Not applicable	37.77	Not applicable	
Substandard loans flow rate	Not applicable	37.81	Not applicable	55.68	Not applicable	43.61	Not applicable	
Doubtful loans flow rate	Not applicable	71.33	Not applicable	98.29	Not applicable	88.70	Not applicable	
Cost/income ratio (excluding business tax)	Not applicable	32.22	Not applicable	36.33	Not applicable	40.77	Not applicable	
Provision coverage	Not applicable	183.03	Not applicable	200.90	Not applicable	201.06	Not applicable	
Loans loss provision ratio	Not applicable	2.42	Not applicable	2.06	Not applicable	1.79	Not applicable	

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Note: Regulatory indicators are shown in accordance with the regulatory standards.

Pursuant to the requirements of the *Administrative Measures for Liquidity Risks of Commercial Banks (for Trial Implementation)*, the liquidity coverage of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage shall reach 60% by the end of 2014, 70% by the end of 2015, 80% by the end of 2016 and 90% by the end of 2017, respectively.

## 2. Shareholdings of top 10 ordinary shareholders

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	418,294			Total number of preference shareholders with recovered voting rights as at the end of the reporting period	-			
<b>Shareholdings of top 10 shareholders</b>								
Name of shareholder	Capacity	Shar ehol ding s (%)	Total number of shares held	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund	Domestic legal entity	49.56	7,092,077,555	1,357,185,136	2,115,881,039	4,976,196,516	-	-
Ping An Life Insurance Company of China, Ltd. – proprietary fund	Domestic legal entity	6.11	874,552,320	145,758,720	0	874,552,320	-	-
Ping An Life Insurance Company of China, Ltd. –traditional – ordinary insurance products	Domestic legal entity	2.27	324,779,969	54,129,995	0	324,779,969	-	-
Ge Weidong	Domestic natural person	1.73	248,236,000	-26,003,761	0	248,236,000	质押	176,136,000
China Shenzhen Electronics Company Limited	Domestic legal entity	1.20	171,959,948	28,659,991	0	171,959,948	-	-
China Construction Bank Corporation – Penghua CSI Classified Securities Investment Fund	Domestic legal entity	0.52	73,859,264	73,859,264	0	73,859,264	-	-
Huafu Fund – SPDB – Huafu Fund – SPDB – Jiyuan Directed Additional Issuance No.2 Asset	Domestic legal entity	0.50	71,855,029	71,855,029	71,855,029	0	-	-

Management Plan								
E Fund Asset – SPDB – E Fund Asset – SPDB – Jiyuan Directed Additional Issuance No.1 Asset Management Plan	Domestic legal entity	0.50	71,855,029	71,855,029	71,855,029	0	-	-
National Social Security Fund 102 Portfolio	Domestic legal entity	0.44	62,456,159	61,241,885	0	62,456,159	-	-
Galaxy Capital – Bohai Bank – Galaxy Capital – Galaxy No.2 Asset Management Plan	Domestic legal entity	0.34	47,943,113	47,943,113	47,943,113	0	-	-
Strategic investors or general legal entities (if any) who become the top 10 shareholders due to placement of new shares	Huafu Fund – SPDB – Huafu Fund – SPDB – Jiyuan Directed Additional Issuance No.2 Asset Management Plan, E Fund Asset – SPDB – E Fund Asset – SPDB – Jiyuan Directed Additional Issuance No.1 Asset Management Plan, Galaxy Capital – Bohai Bank – Galaxy Capital – Galaxy No.2 Asset Management Plan became top 10 shareholders of the Company as a result of the non-public offering of shares of the Company. The lock-up period of the shares is from May 21, 2015 to May 21, 2016.							
Description of the related relationship or concerted action of the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with the Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group - proprietary fund”, “Ping An Life Insurance Company of China, Ltd. - proprietary fund” and “Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product” are related parties. 2. The Bank is not aware of any related relationship nor concerted action among any of other shareholders.							
Description of the shareholders who engage in securities margin trading business	In addition to 216,936,000 shares held through ordinary shares account, Ge Weidong, a shareholder of the Company, also holds 31,300,000 shares, i.e. 248,236,000 shares in aggregate, through client credit trading guarantee securities account of Orient Securities Company Limited.							

### 3. Shareholdings of top 10 preference shareholders

Applicable Not applicable

### 4. Change in the controlling shareholder or de facto controller of the Bank during the reporting period

Applicable Not applicable

During the reporting period, there was no change in the controlling shareholder of the Bank, being Ping An Insurance (Group) Company of China, Ltd.

There is no de facto controller for the Bank.

## §3 Management Discussion and Analysis

### 1. Description of overall operations

In the first half of 2015, while stressing the overall direction of “progressing with stability”, the government stepped up its reform efforts comprehensively to maintain continuity and stability of its macroeconomic policies. By implementing sound monetary policies, the Central Bank diversified the austerity measures and optimised the policy mix to achieve reasonable growth of the currency credit market. At the same time, upon official implementation of the deposit insurance system, interest rate marketisation further accelerated. In view of stricter regulatory requirements, rapid development of privately-owned banks and escalating internet finance business, the banking industry has been faced with greater challenges.

Adhering to the directions of “reforms, innovation and development” and following the strategic objectives of building the “Best Bank”, the Bank upheld the “customer-centric” operating principle to develop the four major features of “professionalism, intensity, integrated finance and internet finance”. Focusing on its “corporate, retail, interbank and investment banking” business segments, the Bank endeavoured to strengthen the reform of its organisational model and operate professionally with a view to better serving the real economy. Leverage on the differentiated asset/liability operating model, the Bank pushed ahead the deposit taking and strengthened the liquidity management. In addition to accelerating business innovation, the Bank built a unique brand through the “Orange-e-Platform”, “Hang-E-Tong”, “Dai Dai Ping An” and “Industrial Funds”. In the meantime, by enhancing the management efficiency, providing customers with professionalised services and enhancing customer experience, the Bank demonstrated a brand image that “Ping An Bank is a bank like no other” to the community.

Based on the growing scale and enhanced platform built upon the rapid development in recent years, the Bank continued to maintain steady growth in various lines of business with increasing operating efficiency. In the first half of 2015, the features of the Bank’s operating performance were as follows:

**(i) Maintaining steady profitability with significant optimisation of input/output efficiency**

In the first half of 2015, the Bank recorded an operating income of RMB46,575 million, representing an increase of 34.09% as compared with that in the same period of last year. Benefiting from the speedy development of the investment banking, trusteeship, wealth management and settlement businesses, the net fee and commission income continued to maintain sound growth momentum and amounted to RMB13,722 million, representing an increase of 76.58% as compared with that in the same period of last year. Operating profit before provision grew by 48.39% as compared with that in the same period of last year to RMB28,190 million; net profit grew by 15.02% as compared with that in the same period of last year to RMB11,585 million; and basic EPS grew by RMB0.11 to RMB0.84. As a result of stringent cost control, the growth of expenses across the Bank was slower than the growth of revenue,

alongside with optimising input/output efficiency. In the first half of 2015, cost/income ratio was 32.22%, down by 5.37 percentage points as compared with that in the same period of last year and down by 4.11 percentage points as compared with that in 2014.

**(ii) Accelerating loan delivery while maintaining a leading position in deposit growth**

The Bank's deposit business and loan business grew in a coordinated manner and the growth of deposits and loans both outperformed the market. As at the end of the reporting period, total assets amounted to RMB2,570,508 million, representing an increase of 17.56% as compared with that at the beginning of the year. In particular, disbursement of loans and advances (including discounted bills) amounted to RMB1,187,834 million, representing an increase of 15.92% as compared with that at the beginning of the year. Customers' deposits amounted to RMB1,655,112 million, representing an increase of 7.95% as compared with that at the beginning of the year. While strengthening the marketing efforts towards non-banking financial institution customers, deposits placed at non-deposit financial institutions increased to more than RMB200 billion from that at the beginning of the year, representing an increase of 89%. In particular, increase in demand deposits accounted for 59%. Demand deposit balance as at the end of the reporting period accounted for 39%, up by 18 percentage points from that at the beginning of the year, which effectively controlled the liability costs.

**(iii) Optimising business structure and increasing operating efficiency**

**Optimising asset and liability structure:** The Bank strengthened austerity guidance in response to market changes. As at the end of the period, high-yield loan balances including small enterprise loans and loans to new yuppies as a percentage of assets continued to increase from that at the beginning of the year, with significant increase in operating efficiency. At the same time, the Bank flexibly adjusted the liability business management policies and exercised control over high-cost liabilities to optimise the liability structure, and actively developed voluntary liability business including interbank deposits.

**Rising interest spread amid poor market sentiments:** Since 2014, the Central Bank implemented a number of rate cuts, resulting in shrinking interest spread among banks in general. Through optimising the structure and strengthening the pricing management, the Bank's net interest spread and net interest margin increased by 0.25 and 0.21 percentage point, respectively as compared with those in the same period of last year.

**Increasing percentage of net non-interest income:** In the first half of the year, the Bank realised a net non-interest income of RMB15,457 million, representing an increase of 51.85% as compared with that in the same period of last year. In particular, income from investment banking business amounted to RMB3,695 million, representing an increase of 154% as compared with that in the same period of last year; and trusteeship income amounted to RMB1,519 million, representing an increase of 157% as

compared with that in the same period of last year. Percentage of net non-interest income set a historical high of 33.19%, up by 3.88 percentage points as compared with that in the same period of last year and up by 5.45 percentage points from that in 2014, ranking fairly high among its peers.

**(iv) Promoting transformation and innovation with speedy development of expanded businesses**

The Bank endeavoured to push ahead transformation and innovation by accelerating the promotion of businesses or platforms such as Internet of Things (IoT) finance, Pay Photon, Orange-e-Platform, Pocket Bank, Hang-E-Tong, Industrial Funds and Dai Dai Ping An.

**IoT Finance:** With the organic integration of IoT and finance, movable properties enjoy the property of real estates, which effectively tackles the management issue of movable property financing.

**Pay Photon:** The launch of mobile payment technology by the Bank surmounted the current payment restriction by bank card or mobile online payment only and saved the operating time of card insertion, card reading and card ejection, thus bringing convenience to customers.

**Orange-e-Platform:** The factoring online project of the “Orange-e-Financing Platform” officially commenced operation in the first half of the year with focus on “Orange-E-Note”. The “Orange-e-Platform” has more than 500,000 registered users.

**Pocket Bank:** The industry’s first-ever smart “O2O Platform – Pocket Community” was launched in 10 pilot cities and the whole process optimisation project of the Pocket Bank was activated, covering 48 functions including smart voice and priority/exemption policy adjustments. As at the end of the period, the Pocket Bank had 9.37 million users, representing an increase of 73.6% as compared with that in the same period of last year.

**Hang-E-Tong:** While pushing ahead the development of Hang-E-Tong platform, the Bank strived to build an E-Tong integrated finance mall and expand the customer base of E-Tong. There are more than 70 online third party business partners namely depositories, custodians, banks and securities firms and more than 400 Hang-E-Tang interbank cooperation customers, thus enhancing its brand image.

**Industrial Funds:** The business model of Industrial Funds saw innovative development, whereas the overseas M&A business, equity investment business on behalf of customers and M&A fund business in cooperation with industry leaders achieved significant breakthroughs.

**Dai Dai Ping An:** As at the end of the period, there were 876,400 customers, representing an increase of 9.5% as compared with that at the beginning of the year; whereas loan balance of Dai Dai Card amounted to RMB57,533 million, representing an increase of 28.25% as compared with that at the beginning of the year.

**Steady growth of the industry affairs department:**

Leverage on its unique operating system, the industry affairs department targeted at different operating features of the customers of various sectors and gradually enhanced the “list system” customer management. Supported by the operating principles of integrated finance and investment banking

development, the Bank capitalised on its unique strength of supply chain finance to explore innovative business models.

**(v) Implementing comprehensive risk management while keeping overall asset quality within control**

The Bank actively coped with various challenges and implemented comprehensive risk management to support the real economy. Upholding the Bank’s principle of “Risk Control at the Heart of Operations”, the Bank ensured sound operations. During the reporting period, affected by the external environment and industry structure adjustments, the Bank’s asset quality suffered considerably. As at the end of the reporting period, the NPL balance of the Bank amounted to RMB15,729 million, representing an increase of 49.79% as compared with that at the beginning of the year; the NPL ratio was 1.32%, up by 0.30 percentage point as compared with that at the beginning of the year; the provision coverage ratio was 183.03%, down by 17.87 percentage points as compared with that at the beginning of the year. The Bank implemented a series of measures to dissolve and dispose of non-performing assets, as well as increased provisions and write-offs. The loan loss provision ratio was 2.42%, up by 0.36 percentage point as compared with that at the beginning of the year. The asset quality was within control in general.

**(vi) Implementing capital replenishment and network expansion to consolidate the foundation for development**

In the first half of the year, the Bank raised approximately RMB10,000 million by way of non-public offering of ordinary shares. All of the proceeds were used to replenish capital, thus providing support and security for the Bank’s business development. The issuance of preference shares was under review by the regulatory authorities.

Taiyuan Branch and two primary sub-branches under Tianjin Pilot Free Trade Zone Branch were newly set up by the Bank, alongside with separate licensing of credit card centres and capital operating centres. 104 new sub-branches were set up, adding to a total of 855 outlets across the Bank. While there was a large-scale expansion of new outlets, the Bank’s input/output efficiency continued to be optimised.

**2. Analysis of income statement items**

**(1) Composition of and changes in operating income**

(In RMB million)

Item	January-June 2015		January-June 2014		Change over the same period of last year
	Amount	%	Amount	%	
<b>Net interest income</b>	<b>31,118</b>	<b>66.81%</b>	<b>24,554</b>	<b>70.69%</b>	<b>26.73%</b>

Interest income from placement at central bank	2,067	3.14%	1,860	3.27%	11.13%
Interest income from transactions with financial institutions	6,311	9.58%	11,090	19.47%	(43.09%)
Including: Interest income from inter-bank borrowing	1,785	2.71%	1,809	3.18%	(1.33%)
Interest income from inter-bank lending	296	0.45%	664	1.17%	(55.46%)
Interest income from loans and advances	42,127	63.96%	33,000	57.95%	27.66%
Interest income from investments	15,136	22.98%	10,827	19.01%	39.80%
Other interest income	223	0.34%	173	0.30%	28.90%
<b>Subtotal of interest income</b>	<b>65,864</b>	<b>100.00%</b>	<b>56,950</b>	<b>100.00%</b>	<b>15.65%</b>
Interest expense on borrowings from Central Bank	26	0.07%	18	0.06%	44.44%
Interest expense from transactions with financial institutions	10,701	30.80%	15,125	46.69%	(29.25%)
Deposit interest expense	21,940	63.14%	16,706	51.57%	31.33%
Bond interest expense payables	2,079	5.99%	547	1.68%	280.07%
<b>Subtotal of interest expense</b>	<b>34,746</b>	<b>100.00%</b>	<b>32,396</b>	<b>100.00%</b>	<b>7.25%</b>
<b>Net fee and commission income</b>	<b>13,722</b>	<b>29.46%</b>	<b>7,771</b>	<b>22.37%</b>	<b>76.58%</b>
<b>Other net operating income</b>	<b>1,735</b>	<b>3.73%</b>	<b>2,408</b>	<b>6.94%</b>	<b>(27.95%)</b>
<b>Total operating income</b>	<b>46,575</b>	<b>100.00%</b>	<b>34,733</b>	<b>100.00%</b>	<b>34.09%</b>

## (2) Net interest income

In the first half of 2015, the Bank recognised net interest income of RMB31,118 million, representing an increase of 26.73% as compared with that in the same period of last year and accounting for 66.81% of operating income. The growth in net interest income was mainly attributable to the growth in interest-earning assets and improvement in interest spread.

### Average daily balance and average yield or average cost of major asset and liability items

(In RMB million)

Item	January-June 2015			January-June 2014		
	Daily average balance	Interest income/expense	Average yield/cost rate	Daily average balance	Interest income/expense	Average yield/cost rate
<b>Assets</b>						

Disbursement of loans and advances (excluding discounted bills)	1,103,669	41,869	7.65%	883,479	32,885	7.51%
Bond investment	268,592	5,273	3.96%	218,115	4,531	4.19%
Due from Central Bank	285,480	2,067	1.46%	253,940	1,860	1.48%
Bills discounting and inter-bank business	654,459	16,432	5.06%	623,218	17,501	5.66%
Others	7,091	223	6.34%	5,489	173	6.36%
Total of interest-earning assets	2,319,291	65,864	5.73%	1,984,241	56,950	5.79%
<b>Liabilities</b>						
Deposit taking	1,600,781	21,940	2.76%	1,323,124	16,706	2.55%
Bonds issued	82,390	2,079	5.09%	16,873	547	6.54%
Including: Interbank deposits	62,275	1,404	4.55%	345	8	4.68%
Inter-bank business	531,429	10,727	4.07%	545,378	15,143	5.60%
Total of interest-bearing liabilities	2,214,600	34,746	3.16%	1,885,375	32,396	3.47%
<b>Net interest income</b>		<b>31,118</b>			<b>24,554</b>	
<b>Deposit-loan spread</b>			<b>4.89%</b>			<b>4.96%</b>
<b>Net interest spread (NIS)</b>			<b>2.57%</b>			<b>2.32%</b>
<b>Net interest margin (NIM)</b>			<b>2.71%</b>			<b>2.50%</b>

Since the second half of 2014, the Central Bank implemented four rate cuts consecutively where the first one was an asymmetric rate cut, followed by three symmetric rate cuts. At the same time, the Central Bank continued to expand the room for upward adjustment of deposit interest rate from 1.1 times to 1.5 times, which further increased the pressure on deposit-loan spread of the Bank. The Bank continued to strengthen the structural adjustment and risk and pricing management, and increased the resource utilisation rate. The deposit-loan spread decreased slightly as compared with that in the same period of last year, whereas the net interest spread and the net interest margin increased as compared with those in the same period of last year amid poor market sentiments.

### (3) Net fee and commission income

In the first half of 2015, the Bank recognised net non-interest income of RMB15,457 million, representing an increase of 51.85% as compared with that in the same period of last year. Among which, net fee and commission income was RMB13,722 million, representing an increase of 76.58% as compared with that in the same period of last year. The growth of net fee and commission income was as follows:

(In RMB million)

Item	January-June 2015	January-June 2014	Change over the same period of last year
Settlement fee income	1,045	828	26.21%
Wealth management business fee income	1,584	820	93.17%
Agency and trusteeship business fee income	2,409	1,220	97.46%
Bank card business fee income	4,030	3,096	30.17%
Consulting and advisory fee income	3,676	1,699	116.36%
Account management fee income	78	116	(32.76%)
Asset trusteeship fee income	1,519	590	157.46%
Others	620	572	8.39%
<b>Subtotal of fee income</b>	<b>14,961</b>	<b>8,941</b>	<b>67.33%</b>
Agency business fee outlay	468	190	146.32%
Bank card business fee outlay	661	923	(28.39%)
Others	110	57	92.98%
<b>Subtotal of fee outlay</b>	<b>1,239</b>	<b>1,170</b>	<b>5.90%</b>
<b>Net fee and commission income</b>	<b>13,722</b>	<b>7,771</b>	<b>76.58%</b>

The Bank's investment banking and asset trusteeship businesses grew rapidly, which contributed to the significant increase in intermediate business income. Meanwhile, income from wealth management and settlement and credit card fees continued to perform well.

#### (4) Other net operating income

Other net operating income includes investment gains, gains/losses in fair value changes, foreign exchange gains/losses and other business income. In the first half of 2015, other net operating income of the Bank was RMB1,735 million, representing a decrease of 27.95% as compared with that in the same period of last year, primarily due to the decrease in spread gains from bills.

#### (5) Operating and administrative expense

In the first half of 2015, operating expense of the Bank grew by 14.94% as compared with that in the same period of last year to RMB15,005 million, whereas cost to income ratio (excluding business tax) was 32.22%, down by 5.37 percentage points as compared with that in the same period of last year and down by 4.11 percentage points as compared with that in 2014. The increase in operating expense was primarily due to outlet expansion and business scale growth, and continued investment in management.

In 2014, the Bank opened 5 new branches and 214 new sub-branches. During the first half of 2015, the Bank opened 108 new business institutions (comprising 2 branches, 2 proprietary agencies and 104 sub-branches). The growth of institutions led to a rigid increase in operating expense. Included in operating expense were staff expense of RMB8,369 million with an increase of 22.93%, business expense of RMB4,648 million with an increase of 0.76%, and depreciation, amortisation and rental expenses of RMB1,988 million with an increase of 21.66%, respectively, as compared with that in the same period of last year.

#### (6) Asset impairment loss

(In RMB million)

Item	Provision in January-June 2015	Provision in January-June 2014	Change over the same period of last year
Due from banks	8	34	(76.47%)
Assets purchased under reverse repurchase agreements	(1)	-	-
Disbursement of loans and advances	12,624	5,294	138.46%
Held-to-maturity investments	1	-	-
Investment in receivables	265	300	(11.67%)
Foreclosed assets	25	-	-
Other assets	1	24	(95.83%)
<b>Total</b>	<b>12,923</b>	<b>5,652</b>	<b>128.64%</b>

#### (7) Income tax expenses

(In RMB million)

Item	January-June 2015	January-June 2014	Change over the same period of last year
Profit before tax	15,259	13,328	14.49%
Income tax expenses	3,674	3,256	12.84%
Effective income tax rate	24.08%	24.43%	-0.35 percentage point

#### (8) Cash flows

In the first half of 2015, the Bank's net cash flows generated from operating activities amounted to RMB182,522 million, representing an increase of RMB129,098 million or 241.65% as compared with that in the same period of last year, primarily due to an increase in new loans and due from banks as compared with the same period of last year which resulted in an increase in cash inflows. Net cash flows

generating from investing activities amounted to RMB49,913 million, representing a decrease of RMB34,699 million or 228.07% as compared with that in the same period of last year, primarily due to the increase in cash paid for increased investment as compared with the same period of last year. Net cash flows generated from financing activities amounted to RMB71,690 million, representing an increase of RMB60,226 million or 525.35% as compared with that in the same period of last year, primarily due to the increase in cash received from issuance of interbank deposits as compared with that in the same period of last year.

### 3. Analysis of balance sheet items

#### (1) Asset composition and changes

(In RMB million)

Item	June 30, 2015		December 31, 2014		Change from the end of the period over the end of previous year
	Balance	%	Balance	%	
Total disbursement of loans and advances	1,187,834	46.21%	1,024,734	46.86%	15.92%
Provision for impairment of disbursement of loans and advances	(28,789)	(1.12%)	(21,097)	(0.96%)	36.46%
Disbursement of loans and advances, net	1,159,045	45.09%	1,003,637	45.90%	15.48%
Financial assets held for trading (Note)	561,150	21.83%	486,222	22.24%	15.41%
Cash and due from Central Bank	298,618	11.62%	306,298	14.01%	(2.51%)
Precious metal	56,914	2.21%	45,254	2.07%	25.77%
Due from banks and other financial institutions	63,144	2.46%	66,969	3.06%	(5.71%)
Placements with banks and other financial institutions and assets purchased under resale agreements	376,136	14.63%	224,477	10.27%	67.56%
Account receivables	7,374	0.29%	9,925	0.45%	(25.70%)
Interest receivables	11,264	0.44%	11,937	0.55%	(5.64%)
Fixed assets	3,690	0.14%	3,812	0.17%	(3.20%)
Intangible assets	5,064	0.20%	5,293	0.24%	(4.33%)
Goodwill	7,568	0.29%	7,568	0.35%	-
Properties for investment purposes	107	0.01%	110	0.01%	(2.73%)
Deferred income tax assets	9,308	0.36%	6,834	0.31%	36.20%
Other assets	11,126	0.43%	8,123	0.37%	36.97%
<b>Total assets</b>	<b>2,570,508</b>	<b>100.00%</b>	<b>2,186,459</b>	<b>100.00%</b>	<b>17.56%</b>

Note: Financial assets held for trading included the “Financial assets carried at fair value through profit or loss, derivative financial liabilities, available-for-sale financial assets, held-to-maturity investments, investment in receivables and long-term equity investments” under the item of the balance sheet.

## (2) Liability structure and changes

(In RMB million)

Item	June 30, 2015		December 31, 2014		Change from the end of the period over the end of previous year
	Balance	%	Balance	%	
Deposit taking	1,655,112	68.40%	1,533,183	74.59%	7.95%
Due to other banks and financial institutions	575,047	23.77%	385,451	18.75%	49.19%
Borrowings from other banks and financial institutions	17,931	0.74%	13,551	0.66%	32.32%
Financial liabilities carried at fair value through profit or loss	5,627	0.23%	4,259	0.21%	32.12%
Derivative financial liabilities	3,252	0.13%	2,662	0.13%	22.16%
Financial assets under repurchase agreements	-	-	22,568	1.10%	(100.00%)
Employee compensation payables	8,896	0.37%	7,961	0.39%	11.74%
Tax payables	7,293	0.30%	5,794	0.28%	25.87%
Interest payables	24,001	0.99%	25,229	1.23%	(4.87%)
Bond payables	108,254	4.47%	41,750	2.03%	159.29%
Others (Note)	14,215	0.60%	13,102	0.63%	8.49%
<b>Total liabilities</b>	<b>2,419,628</b>	<b>100.00%</b>	<b>2,055,510</b>	<b>100.00%</b>	<b>17.71%</b>

Note: Other liabilities included items such as “Due to Central Bank, Accounts Payables, Provision and Other Liabilities” in the statement.

## (3) Changes in shareholders' equity

(In RMB million)

Item	Balance at the beginning of the year	Increase in the period	Decrease in the period	Balance at the end of the period
Share capital	11,425	2,884	-	14,309
Capital reserve	52,270	9,341	(2,285)	59,326
Other comprehensive income	(1,851)	394	-	(1,457)
Surplus reserve	6,334	-	-	6,334
General risk provision	19,115	-	-	19,115
Undistributed profit	43,656	11,585	(1,988)	53,253
Including: Dividend proposed for distribution	1,988	-	(1,988)	-
<b>Total shareholders' equity</b>	<b>130,949</b>	<b>24,204</b>	<b>(4,273)</b>	<b>150,880</b>

**(4) Balance of off-balance sheet items that may have significant impact on the Bank's operating results at the end of the reporting period**

(In RMB million)

Item	Balance
Issuance of bills of acceptance	379,179
Issuance of letters of guarantee	110,966
Issuance of letters of credit	74,832
Unused credit line of credit card and irrevocable loan commitment	48,390
Operating lease commitment	10,675
Capital expenditure commitment	1,696

**§4 Matters relating to Financial Statements**

1. Description of the changes in accounting policies, accounting estimates and accounting methods as compared with those in the financial statements for the previous year

Applicable  Not applicable

2. Description of the corrections of significant accounting errors that require retrospective restatement during the reporting period

Applicable  Not applicable

3. Description of the changes in the scope of consolidated statements as compared with those in the financial statements for the previous year

Applicable  Not applicable

4. Description of the board of directors and supervisory committee on the “standard unqualified audit report” issued by the auditor during the reporting period

Applicable  Not applicable

Board of Directors  
Ping An Bank Co., Ltd.  
14 August 2015